

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:**

**CASE NO. 10377
Order No. R-9586-A**

**APPLICATION OF HALLWOOD PETROLEUM, INC.
FOR RECONSIDERATION OF GAS ALLOWABLES IN
THE CATCLAW DRAW-MORROW GAS POOL IN EDDY
COUNTY, NEW MEXICO FOR THE PRORATION PERIOD
OCTOBER 1, 1991 THROUGH MARCH 31, 1992.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for rehearing at 9:00 a.m. on November 14, 1991, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 31st day of December, 1991, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said rehearing, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) Order No. R-9586 entered by the Commission on October 3, 1991, established gas allowables for the Catclaw Draw-Morrow Gas Pool for the period October 1, 1991 through March 31, 1992.

(3) The applicant, Hallwood Petroleum, Inc., seeks to modify that portion of Commission Order R-9568 which establishes gas allowables for the Catclaw Draw Morrow Gas Pool.

(4) There are 19 proration units in the Catclaw Draw-Morrow Pool consisting of 17 marginal units and two nonmarginal units.

(5) Applicant requested an increase in the O/P (overproduction limit) from 222,880 MCF to 450,000 MCF effective October 1, 1991. This increase request was based upon workovers and recompletion of Hallwood's Morrow wells, mainly the Catclaw Draw No. 9 well in Section 35 which occurred in May 1991, too late to be a factor in the establishment of the current overproduction limit. Applicant testified that their request is an effort to "short circuit" the proration process by using more recent information in establishing overproduction limits.

FINDING: The overproduction limit will be increased April 1, 1992 based upon current proration policies and processes. Any attempt to "short circuit" the system should focus on an application to change the proration system through the hearing process.

(6) Applicant requested an increase in the F1 factor to at least 140,000 MCFG per month effective October 1, 1991 from the current 75,000 MCFG per month. Evidence for the increase was production data, flow rates and pressures from Hallwood's Catclaw Draw Unit No. 9 which showed an ability to sustain a flow rate of approximately 5 million cubic feet of gas per day. After producing 600 million cubic feet there was a 6.6% pressure decline. This would be the only nonmarginal well in the Catclaw Draw-Morrow Pool if the applicant's request was granted.

FINDING: Despite evidence of a sustained flow rate, the pressure declined. The pressured decline will be greater after six months of full nonmarginal allowable gas production from the No. 9 well. To prevent waste, the F1 factor should be reduced from the requested 140,000 MCFG per month to 127,000 MCFG per month to accommodate future pressure decline in the No. 9 well.

(7) No one appeared at the hearing to object to the requested increase in gas allowable and other operators in the Pool submitted letters supporting Hallwood's request for increased gas allowables.

(8) The applicant requested changes in the October 1991 to March 1992 pool allowable and overproduction limit to reflect additional pool capacity brought on by the workover recompletion of only one well, the Catclaw Draw No. 9.

FINDING: This additional productive capacity would eventually be reflected in higher allowables in subsequent proration periods but temporary relief should be granted so as to provide the applicant with increased flexibility in managing their current gas supply. Since the applicant is requesting an allowable equal to the productive capacity of their best gas well, a more appropriate forum for such relief would be an application to deplete the Catclaw Draw Morrow Pool.

(9) The evidence indicates that deproration of the Catclaw Draw-Morrow Gas Pool should be the subject of the applicant's request for a Division hearing since deproration would provide a permanent solution to the applicant's problem.

(10) By granting the applicant temporary relief to capacity restraints on their best well, waste will be prevented and correlative rights of all interest owners will be protected.

IT IS THEREFORE ORDERED THAT:

(1) Order No. R-9586 be changed to reflect an increase in the F1 factor for wells in the Catclaw Draw-Morrow Pool from the present 75,000 to 127,000 Mcf per month, said increase to be effective October 1, 1991, and apply for the six-month proration period from October 1, 1991 through March 31, 1992.

(2) All other parts of said Order No. R-9586 shall remain as ordered.

(3) Jurisdiction of this cause is hereby retained for the entry of such further orders as the Commission may deem necessary.

DONE AT Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Bill Weiss

WILLIAM W. WEISS, Member

Jami Bailey

JAMI BAILEY, Member

William J. Lemay

WILLIAM J. LEMAY, Chairman

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